

# DAILY MINER

Sunday, March 14, 2010

## Bennett outlines state budget mess

*Excessive spending put state in position it's in today, official says*

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KINGMAN - Members of a small crowd that gathered for Arizona Secretary of State Ken Bennett's demonstration of the state's budget problems Wednesday night may have wanted to ask for a tissue after he was finished.

Using two sizes of tissue boxes, Bennett showed the group how much the state spends on various departments.

The majority of the state's General Fund and the funds it gets from the federal government are spent on education and healthcare, Bennett said as he stacked box after box of tissues on the table.

Each large box represented about \$1 billion. A smaller box represented half a billion dollars.

Approximately \$5 billion of this year's \$10.5 billion General Fund went to K-12 education, nearly \$1.5 billion to higher education and about \$2.5 billion to healthcare and welfare programs such as the Arizona Health Care Cost Containment System, he said.

The state also spent another \$2.5 billion for education and another \$7.5 billion from the federal government for healthcare and other sources, Bennett said. On top of that, school districts collected nearly \$4 billion in property taxes.

By comparison, the state spent approximately \$1 billion on the court system, \$1 billion on transportation and \$3 billion on all other state offices and services, Bennett said.

Bennett was invited to speak to the public by the Kingman Chamber of Commerce. His explanation took place in the County Administration Building.

So how did the state get where it is in now? he asked. It overspent and over-projected its revenues.

Revenue and expenditures are the main part of what drives the state budget, he said, gesturing toward the precariously balanced boxes.

In 2007, the state collected nearly \$9.8 billion in revenue, spent \$9.6 billion, had \$700 million in the state's rainy day fund and had an ending balance of \$350 million from 2006, Bennett said.



Courtesy  
Secretary of State Ken Bennett uses tissue boxes to illustrate state spending in a meeting Wednesday.

In 2008, the state found itself facing a \$1.2 billion shortfall after revenues did not meet expectations and Gov. Janet Napolitano convinced the Legislature to spend most of the 2006 ending balance, he said. In order to balance the budget in 2008, the state had to sweep money from its rainy day account and other funds, cut spending by \$100 million and roll over a \$300 million education payment to the next fiscal year.

Bennett said things only got worse as revenues continued to decline in 2009. The state expected to collect \$9.1 billion but only brought in about \$7 billion in revenue. However, it still had a \$300 million education payment from the previous year to pay along with all of 2009 expenses, he said.

The state had to empty the rainy day fund, sweep more money from state departments, roll over another education payment and cut more than \$400 million from the budget. All of this despite the state receiving \$500 million in federal stimulus dollars.

For fiscal year 2010, Bennett said, the state is facing a \$3 billion budget shortfall. In an effort to combat that, the state will receive \$1.3 billion in federal stimulus dollars, sweep more money from state programs, reset a property tax rate, sell state buildings, cut \$300 million from the budget, roll over \$450 million in expenses, borrow \$750 million, and collect another \$900 million if the state sales tax passes in May, Bennett said.

"If any one of us or any business owner had done something like this, we would be in jail," he said, referring to rolling over education payments and other tricks the state has used to balance its budget.

There are a number of solutions to the state budget problem, he said. The state could raise taxes; continue to roll over payments and sweep funds; attempt to draw businesses to the state or reward the ones who stay; or lower and broaden the reach of the sales tax.

The state wouldn't have to do much to attract businesses, he said. Many are leaving California in droves; the trick is getting them to stop and stay in Arizona. A more favorable business tax climate and a faster permitting process would help attract them, he said.

Lowering and broadening the reach of the state sales tax to more items would even out the revenue cycle during good and bad economic years in the state, Bennett said. He also recommended taking spending back down to 2006 levels of about \$8.3 billion.

This is possible even with a 10 percent increase in the number of students and people needing healthcare and welfare, he said.

"We need to find ways to spend money more efficiently," Bennett said. If school districts and others are given only a certain amount, they'll figure out how to be more efficient, he said. If people on AHCCS are told that they will have to pay more out of pocket to go to the emergency room than going to a clinic, then they'll go to a clinic.

"We can't continue to do what we're doing at the state and federal levels," Bennett said.

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